



# Pentagon Federal Credit Union

Frank R. Pollack  
President/CEO

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BY FEDERAL EXPRESS

Honorable JoAnn Johnson  
Chairwoman, National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Honorable Rodney E. Hood  
Vice Chairman, National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Honorable Christiane G. Hyland  
Board Member, National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

SUBJECT: Consumer Credit Card Account Practices  
Proposed Rule 12 C.F.R. Part 706, Subpart C

Dear Mrs. Johnson/Mr. Hood/Mrs. Hyland:

On behalf of Pentagon Federal Credit Union ("PFCU") set forth below are this institution's views concerning the subject proposed regulations. The rules seek to establish a policy regarding seven practices that are deemed to be "unfair" or "deceptive".

We concur with the standards described in six of the rules presented. Clearly, they improve the "fairness" of disclosures and treatment for consumers who avail themselves of credit card products.

Nonetheless, below we have deep and grave concerns regarding one of the proposed regulations, 12 C.F.R. §706.24 (the "Rule") that would regulate the application of increased interest rates to existing balances.

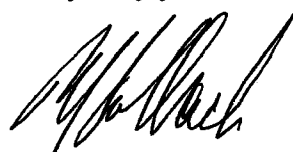
At bottom, this particular proposal creates an unsafe and unsound environment for the application of prudential asset/liability management practices.

Simply put, not only is an extraordinary onus placed on institutions in their management of a proper balance between institutional assets and liabilities\*, but the requirement would impose significant expense burdens upon credit unions, ultimately ones to be borne by all members to include those who do not use open-end credit products, in resourcing and taking measures, such as through the application and purchase of products such as derivatives, to exercise prudent financial management.

In this connection, we support the approach proposed in pending legislation contained in H.R. 5244, Section 2, which is noted in the Analysis. That is, upon given notice of an increase in rates a consumer should be entitled to close her/his line of credit and liquidate the debt.

I welcome the opportunity to discuss these views with you. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Frank R. Pollack', written in a cursive style.

Frank R. Pollack  
President/CEO

FRP/kld

CF: M. Rupp, Secretary, NCUA Board  
J.J Johnson, Secretary, Board of Governors, FRS  
Chief Counsel's Office, OTS

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\* Notably, footnote 57 in the analytical explanation suggests 'support' for an amortization approach. The authority is simply misplaced. It deals with loss mitigation not asset/liability management. No explanation is provide to suggest how this institutional safety and soundness obligation is to be met.